Media release

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2020 first-half financial results

SWISS reports first-half operating loss

The consequences of the coronavirus pandemic impacted severely on SWISS's business results for the first six months of 2020. The Airline of Switzerland reported an operating loss of CHF 266.4 million for the period, which compares to an operating profit of CHF 245.3 million for the first half of 2019. Total 2020 first-half revenues amounted to CHF 1.17 billion, a 55-per-cent decline from the CHF 2.57 billion[1] of the prior-year period. SWISS[2] transported 64.0 per cent fewer passengers in the first half of 2020 than it had in the same period last year. First-half systemwide seat load factor amounted to 71.2 per cent, 10.8 percentage points down from its prior-year level. SWISS's European services are seeing some revival in demand. But the corresponding trends on the intercontinental network, which is key to any substantial business recovery, have been markedly more modest to date. In view of the still highly dynamic situation, no full-year earnings forecast for 2020 can currently be made.

The massive restrictions on global air travel that have been imposed in response to the coronavirus pandemic have hit Swiss International Air Lines (SWISS) severely, too. For several weeks in spring only a minimal timetable of SWISS services could be offered, substantially reducing income levels. Total first-half revenues amounted to CHF 1.17 billion, 55 per cent down on the CHF 2.57 billion[1] of the same period last year. The operating result (or Adjusted EBIT) for the period declined accordingly: SWISS reported a first-half operating loss of CHF 266.4 million (which compares to an operating profit of CHF 245.3 million for the first half of 2019). In view of the still highly dynamic overall situation and the unpredictability of further developments, no forecast can yet be made for the 2020 full-year Adjusted EBIT result.

"Thanks to the prompt actions we took to safeguard our liquidity, our fixed costs have been substantially reduced," says Chief Financial Officer Markus Binkert. "With the loans from the Lufthansa Group and the prospective bank credit facilities backed by the Swiss Confederation, our liquidity is secure. But we still need to further reduce our structural costs, to ensure that we can repay our loans as swiftly as possible."

SWISS will make further comprehensive economies to enhance its cost structure over the next few months. These will include a thorough analysis of the deployment of its present aircraft

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[1] SWISS adopted new accounting principles at the end of 2019 in compliance with those of the Lufthansa Group. Total revenues of CHF 1.42 billion for the second quarter and of CHF 2.58 billion for the first half of 2019 were previously reported in July 2019.

[2] excluding Edelweiss Air

fleet, and the cessation companywide of all investments which are not essential to flight and business operations.

Second quarter hit particularly hard by the coronavirus pandemic

While its effects were already felt in the first-quarter period, it was in the second quarter of 2020 that the coronavirus pandemic impacted particularly hard on SWISS's business activities. With travel restrictions of growing severity increasingly imposed all over the world, the company was compelled to reduce its flight schedules to a minimum and park a large part of its aircraft fleet for several weeks. Revenues declined accordingly: the CHF 243.7 million generated for the second quarter of 2020 was 82.8 per cent down on the CHF 1.41 billion[1] of the prior-year period. The period also produced an operating loss of CHF 182.3 million, which compares to an operating profit of CHF 196.9 million for the same period last year.

Massive declines in passenger numbers

SWISS[2] transported a total of 3,167,624 passengers in the first half of this year – 64.0 per cent fewer than it had in the prior-year period. A total of 29,667 flights were operated, 59.5 per cent fewer than in the first half of 2019. Some 57.1 per cent less capacity was offered systemwide in available seat-kilometre (ASK) terms, while first-half total traffic volume, measured in revenue passenger-kilometres (RPK), declined by 62.7 per cent. Systemwide seat load factor for the period amounted to 71.2 per cent, a decline from the prior-year period of 10.8 percentage points.

The steepest monthly year-on-year decline in passenger volumes was April's 99.2 per cent. Passenger numbers for June were still 92.2 per cent down on 2019. June 2020 seat load factor amounted to 41.6 per cent, 45.5 percentage points below its prior-year level.

A focus on repatriation and cargo flights

In addition to maintaining a minimal network of air connections between Switzerland and the world, SWISS and its sister airline Edelweiss operated 35 repatriation flights until beginning of July 2020 flying some 7,400 travellers – mostly Swiss nationals – to Switzerland from all over the world as part of the largest repatriation programme ever conducted by the Swiss Federal Department of Foreign Affairs. The company's Swiss WorldCargo division has also performed just under 600 dedicated cargo flights until the end of June, transporting over 15,000 tonnes of goods (primarily medicines and further medical items) to supply the Swiss people and support the Swiss economy.

Further service resumptions planned

SWISS's minimal flight operations were steadily ramped up in June to 15 to 20 per cent of originally-planned capacity. By this autumn, around one-third of the company's capacities should be on offer again to some 85 per cent of the destinations which enjoyed SWISS service

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before the crisis began. Two-thirds of the 91-aircraft SWISS fleet have been back in operation since July – 41 short-haul and 17 long-haul aircraft, the latter including three Boeing 777s that have been temporarily converted to carry cargo on their main deck, too.

SWISS has also developed a comprehensive protection concept to keep its customers' air travel as safe as possible. The provisions here include the compulsory wearing of face masks on board, intensified aircraft cleaning and modified inflight service. And in addition to its flexible rebooking options, the company has also introduced a guaranteed return flight provision for all its European routes.

The present summer holiday season has brought strong demand – especially for European flights – and high seat load factors that are almost at their prior-year levels, albeit with substantially lower capacities. The increases in passenger numbers are mainly being seen in the tourist travel and the visiting-friends-and-relatives segments: demand remains extremely weak on the business travel front. Intercontinental traffic volumes are also recovering only very slowly, in view of the many immigration restrictions which are still in place here.

"These positive trends in the demand for air travel in Europe make us cautiously optimistic," says SWISS CEO Thomas Klühr. "We are well aware, though, that we still have a long way to go before this crisis is overcome. And one crucial factor for our substantial and sustainable recovery will be the further developments in our intercontinental business, particularly to and from the key North America region."

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